



STATE OF MICHIGAN

DEPARTMENT OF COMMUNITY HEALTH  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

JANET OLSZEWSKI  
DIRECTOR

June 14, 2004

Dear School Based Services Provider:

The purpose of this letter is to provide clarification to the MDE Michigan School Auditing Manual - FY 2003/04 - Medicaid Section. The Audit Considerations, Medicaid Administrative Outreach, Claims Development Section addresses the need for ISD auditors to determine if the proper methodology to develop the Medicaid Administrative Outreach claims was applied. When a service organization is involved in the claims development, the Auditing Manual suggests that the ISD auditor rely either on a SAS No. 70 report issued by the service organization's auditors, or the ISD auditor perform their own independent review of the service organization's process. This remains unchanged. However, the time period covered needs to be clarified.

Any claims that were paid during the ISD's fiscal year ending June 30, 2004 were developed using the methodology that was in effect **through December 31, 2003**. Accordingly, for the District's fiscal year ending June 30, 2004 audit, ISD auditors need to determine if the proper methodology to develop the claims was applied **through December 31, 2003**.

If ISD auditors wish to rely on the service organization's last SAS No. 70 report, ISD auditors should:

- Ensure the SAS No. 70 report had an unqualified opinion;
- Obtain a letter of assurance prepared by the service organization's auditor, endorsed by the service organization's management, that the methodology used in processing the claims did not change from the period covered by the last SAS No. 70 report (which had a 2003 period ending date) through December 31, 2003; and
- Obtain a listing of the procedures in effect that were applied by the service organization.

If not relying on a service organization's SAS No. 70 report, ISD auditors will need to perform their own independent review of the service organization's process to determine if the proper methodology to develop the Medicaid Administrative Outreach claims was applied.

The revised Medicaid SBS Administrative Outreach policy became effective January 1, 2004,. Therefore, the required SAS No. 70 report for the period January 1, 2004 through June 30, 2004 of both the State's Random Moment Time Study and Claims Development Contractor, and service organizations hired by a lead ISD will pertain to the claims that will be paid during the District's fiscal year ending **June 30, 2005**. The due date for this report has been changed from **September 30, 2004 to January 31, 2005**.

Please share this clarification with the ISD's auditor and also provide a copy of this clarification memo to your districts.

If you should have any questions, please contact Delyce L. Reynolds, Audit Specialist, Office of Audit, at (517) 241-9165.

Thank you for your cooperation in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Reinhart". The signature is fluid and cursive, with the first name "Paul" and last name "Reinhart" clearly distinguishable.

Paul Reinhart, Director  
Medical Services Administration